



Mary Taylor, CPA
Auditor of State

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

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CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of East Liverpool
Columbiana County
126 West Sixth Street
East Liverpool, Ohio 43920

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Community Development, Police and Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 14, 2009

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

The discussion and analysis of the City of East Liverpool financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- General Revenues accounted for \$5,480,393 in revenue or 44 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$7,110,817 or 56 percent of total revenues of \$12,591,210.
- Total program expenses were \$11,111,778, \$6,581,633 in governmental activities and \$4,530,145 in business-type activities.
- In total, net assets increased \$1,479,432. Net assets of governmental activities increased \$862,405. Net assets of business-type activities increased \$617,027.
- Outstanding debt decreased from \$9,176,252 to \$9,151,645 as a result of principal payments exceeding the issuance of new debt.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of East Liverpool as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City operations, as they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2006 and how they affected the operations of the City as a whole.

Reporting the City of East Liverpool as a Whole

Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of East Liverpool, the general fund is by far the most significant fund.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

A question typically asked about the City's finances "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, community environment, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, incinerator, swimming pool and off street parking funds are reported as business activities.

Reporting the City of East Liverpool's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, community development fund, police fund and fire fund.

Governmental Funds - Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community development fund, police fund and fire fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (water, sewer and incinerator); therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The City East Liverpool as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$ 5,070,907	\$ 4,647,080	\$ 5,232,271	\$ 4,558,583	\$ 10,303,178	\$ 9,205,663
Capital Assets	5,277,265	4,887,187	8,742,374	8,797,262	14,019,639	13,684,449
Total Assets	\$ 10,348,172	\$ 9,534,267	\$ 13,974,645	\$ 13,355,845	\$ 24,322,817	\$ 22,890,112
Liabilities						
Long-Term Liabilities	\$ 3,454,867	\$ 3,529,038	\$ 6,369,541	\$ 6,356,487	\$ 9,824,408	\$ 9,885,525
Other Liabilities	2,022,625	1,996,954	542,647	553,928	2,565,272	2,550,882
Total Liabilities	\$ 5,477,492	\$ 5,525,992	\$ 6,912,188	\$ 6,910,415	\$ 12,389,680	\$ 12,436,407
Net Assets						
Invested in Capital Assets, Net of Debt	\$ 3,248,585	\$ 2,838,205	\$ 2,518,887	\$ 2,585,511	\$ 5,767,472	\$ 5,423,716
Restricted	2,503,927	2,050,767	0	0	2,503,927	2,050,767
Unrestricted (Deficit)	(881,832)	(880,697)	4,543,570	3,859,919	3,661,738	2,979,222
Total Net Assets	\$ 4,870,680	\$ 4,008,275	\$ 7,062,457	\$ 6,445,430	\$ 11,933,137	\$ 10,453,705

Total assets increased by \$1,432,705 with governmental assets increasing \$813,905 and business-type assets increasing \$618,800. An increase in capital assets reflects the majority of the increase in total assets. Total liabilities decreased by \$46,727.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Total net assets increased by \$1,479,432. This number reflects an increase in net assets due to the increase of revenues in governmental and business-type activities. Table 2 shows the changes in net assets for fiscal year 2006. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 900,709	\$ 935,707	\$ 4,900,351	\$ 4,908,068	\$ 5,801,060	\$ 5,843,775
Operating Grants	1,278,128	1,066,447	5,574	27,927	1,283,702	1,094,374
Capital Grants	9,904	548,104	16,151	8,173	26,055	556,277
<i>General Revenue:</i>						0
Property Taxes	1,147,876	1,050,570	105,057	84,293	1,252,933	1,134,863
Income Taxes	2,658,813	2,756,288	0	0	2,658,813	2,756,288
Grants and Entitlements	851,690	338,862	0	0	851,690	338,862
Investments	101,712	63,967	46,208	26,954	147,920	90,921
Unrestricted Contributions	2,700	20,800	0	0	2,700	20,800
Proceeds from the sale of capital assets	323,405	0	0	0	323,405	0
Other	169,101	568,689	73,831	39,207	242,932	607,896
Total Revenues	7,444,038	7,349,434	5,147,172	5,094,622	12,591,210	12,444,056
Program Expenses						
General Government	1,399,455	1,322,025	0	0	1,399,455	1,322,025
Security of Persons and Property	3,402,599	3,518,561	0	0	3,402,599	3,518,561
Transportation	902,902	881,907	0	0	902,902	881,907
Public Health Services	160,610	150,349	0	0	160,610	150,349
Community Environment	495,664	516,912	0	0	495,664	516,912
Leisure Time Activities	135,065	136,674	0	0	135,065	136,674
Interest and Fiscal Charges	85,338	47,397	0	0	85,338	47,397
<i>Enterprise Operations:</i>						0
Water	0	0	2,491,363	2,390,406	2,491,363	2,390,406
Sewer	0	0	1,293,312	1,075,953	1,293,312	1,075,953
Incinerator	0	0	704,666	757,156	704,666	757,156
Off Street Parking	0	0	20,594	21,040	20,594	21,040
Swimming Pool	0	0	20,210	31,137	20,210	31,137
Total Program Expenses	6,581,633	6,573,825	4,530,145	4,275,692	11,111,778	10,849,517
Increase (Decrease) in Net Assets	\$ 862,405	\$ 775,609	\$ 617,027	\$ 818,930	\$ 1,479,432	\$ 1,594,539

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services and investment interest.

The City's income tax rate is 1.5 percent. Both residents of the City and nonresidents who work inside the City are subject to the income tax.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,400,574 represents 52 percent of the total expenses. These two departments are subsidized by the General fund.

Our Fire Department employs 17 full time employees including the Chief. The City is very committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement of worn equipment on a regular basis. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education, and investigation.

Our police Department is funded through the General Fund. The department is a full time, 24 hour a day, 365 days a year department with 17 officers and a full time Chief.

Our Street Maintenance and Repair Department employs 11 full time employees who provide the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

The City also maintains a health department (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$295,675 in 2006 equaling 4 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer, incinerator, off street parking and swimming pool operations. The revenues are generated primarily from charges for services. In 2006, charges for services of \$4,900,351 accounted for 99 percent of the revenues. The total expenses were \$4,530,145, thus leaving an increase in net assets of \$600,876 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$7,012,208 and expenditures of \$7,167,582. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Information about the proprietary funds starts on page 20. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$4,974,182, which was less than operating expenses of \$4,229,249 by \$744,933 or sixteen percent of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in the City's enterprise funds.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2006, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, budget basis revenue was \$ -0- under the original budget estimates of \$3.99 million.

Final appropriations of \$1.69 million were \$47,806 greater than the \$1.64 million in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2006, the City had \$14,019,639 invested in land, buildings, equipment, infrastructure and vehicles. A total of \$5,277,264 of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2006 balances compared with 2005.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 520,262	\$ 520,262	\$ 25,771	\$ 25,771	\$ 546,033	\$ 546,033
Buildings and Improvements	112,813	120,084	1,517,163	1,597,893	1,629,976	1,717,977
Infrastructure	3,982,548	3,542,852	5,700,444	5,627,281	9,682,992	9,170,133
Furniture and Equipment	426,556	507,733	914,047	613,538	1,340,603	1,121,271
Improvements Other than Buildings	124,971	138,157	0	0	124,971	138,157
Construction in Progress	110,115	58,099	0	323,243	110,115	381,342
Water and Sewer Lines	0	0	584,949	609,536	584,949	609,536
Totals	\$ 5,277,265	\$ 4,887,187	\$ 8,742,374	\$ 8,797,262	\$ 14,019,639	\$ 13,684,449

The \$335,190 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 9 provides capital asset activity during the 2006 year.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

Debt

The outstanding debt for the City of East Liverpool as of December 31, 2006 was \$9,151,645 with \$729,535 due within one year. Table 5 summarizes outstanding debt.

(Table 5)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Police and Fire Pension	\$ 899,465	\$ 915,507	\$ 0	\$ 0	\$ 899,465	\$ 915,507
Installment Loans	102,389	160,660	161,453	140,373	263,842	301,033
OPWC Loans	430,172	468,970	157,187	174,450	587,359	643,420
ODOT Loan	1,496,119	1,419,352	0	0	1,496,119	1,419,352
OWDA Loans	0	0	5,904,860	5,896,940	5,904,860	5,896,940
<i>Total</i>	<u>\$ 2,928,145</u>	<u>\$ 2,964,489</u>	<u>\$ 6,223,500</u>	<u>\$ 6,211,763</u>	<u>\$ 9,151,645</u>	<u>\$ 9,176,252</u>

The OWDA and OPWC loans were issued for water and sewer improvement projects. The loans will be repaid with water, sewer and sanitation fund revenues. Installment loans were entered into for the purchase of land, replacement of water lines, downtown improvements and the purchase of a backhoe and bucket truck. ODOT proceeds were used for street resurfacing.

Additional information concerning the City's debt can be found in note 15 to the basic financial statements.

Current Financial Issues

The City's upgrade on the electrical system at the water treatment plant was completed in 2006 along with the resurfacing of Dresden Avenue. The East Liverpool City Hospital is in the process of a major renovation project which will offset the decrease in the municipal income tax collections. A new Social Security Administration building is also being built. Several small businesses are opening up as well. Although these may seem small, it is a start in the right direction, in order to expand the tax base.

The City is currently keeping a close watch on spending,

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Terri Sprague, Auditor of City of East Liverpool, 126 West 6th Street, East Liverpool Ohio 43920.

City of East Liverpool
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,183,608	\$ 1,821,665	\$ 3,005,273
Cash and Cash Equivalents in Segregated Accounts	111,921	1,421,154	1,533,075
Materials and Supplies Inventory	32,743	35,257	68,000
Accounts Receivable	122,973	1,792,307	1,915,280
Intergovernmental Receivable	1,350,690	3,199	1,353,889
Prepaid Items	105,956	45,710	151,666
Taxes Receivable	1,868,193	112,979	1,981,172
Loans Receivable	205,833	0	205,833
Special Assessments Receivable	88,990	0	88,990
Non-Depreciable Capital Assets	630,377	25,771	656,148
Depreciable Capital Assets, Net	4,646,888	8,716,603	13,363,491
<i>Total Assets</i>	<u>10,348,172</u>	<u>13,974,645</u>	<u>24,322,817</u>
Liabilities			
Accounts Payable	82,921	101,853	184,774
Accrued Wages	116,977	58,545	175,522
Contracts Payable	13,241	46,938	60,179
Intergovernmental Payable	443,377	122,429	565,806
Accrued Interest Payable	8,355	95,654	104,009
Accrued Vacation Leave Payable	278,861	117,228	396,089
Deferred Revenue	1,078,893	0	1,078,893
Long-Term Liabilities:			
Due Within One Year	336,731	453,697	790,428
Due in More Than One Year	3,118,136	5,915,844	9,033,980
<i>Total Liabilities</i>	<u>5,477,492</u>	<u>6,912,188</u>	<u>12,389,680</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,248,585	2,518,887	5,767,472
Restricted for Debt Service	204,094	0	204,094
Restricted for Capital Outlay	659,752	0	659,752
Restricted for Other Purposes	1,640,081	0	1,640,081
Unrestricted	(881,832)	4,543,570	3,661,738
<i>Total Net Assets</i>	<u>\$ 4,870,680</u>	<u>\$ 7,062,457</u>	<u>\$ 11,933,137</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Statement of Activities
For the Year Ended December 31, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,399,455	\$ 583,718	\$ 2,955	\$ 0	\$ (812,782)	\$ 0	\$ (812,782)
Security of Persons and Property	3,400,574	144,787	21,994	0	(3,233,793)	0	(3,233,793)
Public Health	160,610	90,118	0	7,141	(63,351)	0	(63,351)
Leisure Time Services	135,065	6,310	0	0	(128,755)	0	(128,755)
Community and Economic Development	495,664	7,644	583,714	0	95,694	0	95,694
Transportation	904,927	68,132	669,465	2,763	(164,567)	0	(164,567)
Interest and Fiscal Charges	85,338	0	0	0	(85,338)	0	(85,338)
<i>Total Governmental Activities</i>	<u>6,581,633</u>	<u>900,709</u>	<u>1,278,128</u>	<u>9,904</u>	<u>(4,392,892)</u>	<u>0</u>	<u>(4,392,892)</u>
Business-Type Activities:							
Incinerator Fund	704,666	693,061	5,574	2,644	0	(3,387)	(3,387)
Off Street Parking Fund	20,594	19,840	0	0	0	(754)	(754)
Sewer Fund	1,293,312	1,143,348	0	5,501	0	(144,463)	(144,463)
T. Park Swimming Pool	20,210	17,578	0	0	0	(2,632)	(2,632)
Water Fund	2,491,363	3,026,524	0	8,006	0	543,167	543,167
<i>Total Business-Type Activities</i>	<u>4,530,145</u>	<u>4,900,351</u>	<u>5,574</u>	<u>16,151</u>	<u>0</u>	<u>391,931</u>	<u>391,931</u>
<i>Total - Primary Government</i>	<u>\$ 11,111,778</u>	<u>\$ 5,801,060</u>	<u>\$ 1,283,702</u>	<u>\$ 26,055</u>	<u>(4,392,892)</u>	<u>391,931</u>	<u>(4,000,961)</u>
General Revenues:							
Property and Other Taxes Levied for:							
General Purposes					218,923	0	218,923
Debt Service					94,518	0	94,518
Police and Fire Services					834,435	0	834,435
Other Purposes					0	105,057	105,057
Income Taxes Levied for General Purposes					2,658,813	0	2,658,813
Grants and Entitlements not Restricted to Specific Programs					851,690	0	851,690
Investment Earnings					101,712	46,208	147,920
Unrestricted Contributions					2,700	0	2,700
Miscellaneous					169,101	73,831	242,932
Proceeds from the Sale of Capital Assets					323,405	0	323,405
<i>Total General Revenues</i>					<u>5,255,297</u>	<u>225,096</u>	<u>5,480,393</u>
<i>Change in Net Assets</i>					862,405	617,027	1,479,432
<i>Net Assets Beginning of Year</i>					<u>4,008,275</u>	<u>6,445,430</u>	<u>10,453,705</u>
<i>Net Assets End of Year</i>					<u>\$ 4,870,680</u>	<u>\$ 7,062,457</u>	<u>\$ 11,933,137</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Community Development Fund	Police Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 160,034	\$ 0	\$ 17,442	\$ 3,165	\$ 1,002,967	\$ 1,183,608
Cash and Cash Equivalents in Segregated Accounts	0	30,883	0	0	81,038	111,921
Materials and Supplies Inventory	0	0	0	0	32,743	32,743
Accounts Receivable	100,450	0	11,950	0	10,573	122,973
Intergovernmental Receivable	171,584	652,580	1,684	34,498	490,344	1,350,690
Prepaid Items	50,587	0	19,343	18,231	17,795	105,956
Taxes Receivable	769,177	0	59,461	858,194	181,361	1,868,193
Loans Receivable	0	0	0	0	205,833	205,833
Special Assessments Receivable	0	0	0	0	88,990	88,990
Advances to Other Funds	23,995	0	0	0	0	23,995
<i>Total Assets</i>	<u>\$ 1,275,827</u>	<u>\$ 683,463</u>	<u>\$ 109,880</u>	<u>\$ 914,088</u>	<u>\$ 2,111,644</u>	<u>\$ 5,094,902</u>
Liabilities						
Accounts Payable	29,305	0	11,652	2,793	39,171	82,921
Accrued Wages	26,552	0	41,346	33,135	15,944	116,977
Contracts Payable	0	0	0	0	13,241	13,241
Intergovernmental Payable	73,908	0	167,465	166,799	35,205	443,377
Deferred Revenue	586,296	652,580	61,145	892,692	650,194	2,842,907
Advances From Other Funds	0	0	0	0	23,995	23,995
<i>Total Liabilities</i>	<u>716,061</u>	<u>652,580</u>	<u>281,608</u>	<u>1,095,419</u>	<u>777,750</u>	<u>3,523,418</u>
Fund Balances						
Reserved for Encumbrances	0	159,923	7,993	0	65,910	233,826
Reserved for Advances	23,995	0	0	0	0	23,995
Reserved for Loans Receivable	0	0	0	0	205,833	205,833
Reserved for Debt Service	0	0	0	0	178,780	178,780
Unreserved, Undesignated, Reported in:						
General Fund	535,771	0	0	0	0	535,771
Special Revenue Funds	0	(129,040)	(179,721)	(181,331)	422,751	(67,341)
Capital Projects Funds	0	0	0	0	460,620	460,620
<i>Total Fund Balances</i>	<u>559,766</u>	<u>30,883</u>	<u>(171,728)</u>	<u>(181,331)</u>	<u>1,333,894</u>	<u>1,571,484</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,275,827</u>	<u>\$ 683,463</u>	<u>\$ 109,880</u>	<u>\$ 914,088</u>	<u>\$ 2,111,644</u>	<u>\$ 5,094,902</u>

See accompanying notes to basic financial statements.

City of East Liverpool
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Total Governmental Fund Balances \$ 1,571,484

*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds 5,277,265

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$ 241,338
Income Tax	262,057
Intergovernmental	1,171,629
Special Assessments	<u>88,990</u>

Total 1,764,014

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

OPWC Loans	430,172
Installment Loans Payable	102,389
ODOT Loan	1,496,119
Accrued Vacation Payable	278,861
Compensated Absences	526,722
Police and Fire Pension	899,465
Accrued Interest Payable	<u>8,355</u>

Total (3,742,083)

Net Assets of Governmental Activities \$ 4,870,680

See accompanying notes to basic financial statements.

City of East Liverpool
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended 'December 31, 2006

	General Fund	Community Development Fund	Police Fund	Fire Fund	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 212,351	\$ 0	\$ 51,057	\$ 700,700	\$ 145,974	\$ 1,110,822
Income Taxes	2,729,022	0	0	0	10,018	2,739,040
Special Assessments	0	0	0	0	13,691	13,691
Charges for Services	0	0	62,138	13,665	0	75,803
Licenses and Permits	451,911	0	0	0	83,012	534,923
Fines and Forfeitures	135,653	0	7,335	0	146,995	289,983
Intergovernmental	465,282	262,857	2,933	22,370	1,221,631	1,975,073
Interest	101,353	0	0	0	459	101,812
Contributions and Donations	0	0	0	0	2,700	2,700
Other	62,545	0	13,162	0	93,394	169,101
<i>Total Revenues</i>	<u>4,158,117</u>	<u>262,857</u>	<u>136,625</u>	<u>736,735</u>	<u>1,717,874</u>	<u>7,012,208</u>
Expenditures						
Current:						
General Government	1,263,042	0	0	0	57,358	1,320,400
Security of Persons and Property	0	0	1,727,719	1,447,740	162,087	3,337,546
Public Health	140,332	0	0	0	19,978	160,310
Lesiure Time Services	105,675	0	0	0	300	105,975
Community and Economic Development	108,842	345,478	0	0	41,344	495,664
Transportation	0	0	0	0	746,396	746,396
Capital Outlay	0	0	0	0	751,198	751,198
Debt Service:						
Principal Retirements	0	0	5,483	10,559	157,068	173,110
Interest and Fiscal Charges	0	0	13,241	25,499	38,243	76,983
<i>Total Expenditures</i>	<u>1,617,891</u>	<u>345,478</u>	<u>1,746,443</u>	<u>1,483,798</u>	<u>1,973,972</u>	<u>7,167,582</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,540,226</u>	<u>(82,621)</u>	<u>(1,609,818)</u>	<u>(747,063)</u>	<u>(256,098)</u>	<u>(155,374)</u>
Other Financing Sources and Uses						
Transfers In	18,069	0	1,543,513	709,044	733,298	3,003,924
Proceeds of Loan	0	0	0	0	136,766	136,766
Proceeds from Sale of Capital Assets	0	0	0	0	323,405	323,405
Transfers Out	(2,487,142)	0	0	0	(516,782)	(3,003,924)
<i>Total Other Financing Sources and Uses</i>	<u>(2,469,073)</u>	<u>0</u>	<u>1,543,513</u>	<u>709,044</u>	<u>676,687</u>	<u>460,171</u>
<i>Net Change in Fund Balance</i>	71,153	(82,621)	(66,305)	(38,019)	420,589	304,797
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>488,613</u>	<u>113,504</u>	<u>(105,423)</u>	<u>(143,312)</u>	<u>913,305</u>	<u>1,266,687</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 559,766</u>	<u>\$ 30,883</u>	<u>\$ (171,728)</u>	<u>\$ (181,331)</u>	<u>\$ 1,333,894</u>	<u>\$ 1,571,484</u>

See accompanying notes to basic financial statements.

City of East Liverpool
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds \$ 304,797

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 703,233	
Current Year Depreciation	(313,155)	
<hr/>		
Total		390,078

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	37,794	
Deferred Income Taxes	(80,227)	
Loans Receivable	(100)	
Special Assessments	(13,691)	
Intergovernmental	164,649	
<hr/>		
Total		108,425

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 173,110

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities. (136,766)

Loans Proceeds

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	37,827	
Vacation Payable	(6,711)	
Interest Payable	(8,355)	
<hr/>		
Total		<u>22,761</u>

Change in Net Assets of Governmental Activities \$ 862,405

See accompanying notes to basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 230,962	\$ 230,962	\$ 212,351	\$ (18,611)
Income Taxes	2,790,000	2,790,000	2,746,194	(43,806)
Licenses and Permits	549,000	549,000	429,509	(119,491)
Fines and Forfeitures	100,000	100,000	145,065	45,065
Intergovernmental	288,600	288,600	465,385	176,785
Interest	30,000	30,000	107,226	77,226
Other	0	0	11,006	11,006
<i>Total Revenues</i>	<u>3,988,562</u>	<u>3,988,562</u>	<u>4,116,736</u>	<u>128,174</u>
Expenditures				
General:				
General Government	1,283,425	1,314,608	1,233,017	81,591
Public Health	140,465	140,515	136,866	3,649
Lesiure Time Services	120,093	121,294	113,182	8,112
Community and Economic Development	99,321	114,693	104,225	10,468
<i>Total Expenditures</i>	<u>1,643,304</u>	<u>1,691,110</u>	<u>1,587,290</u>	<u>103,820</u>
Excess of Revenues Over Expenditures	<u>2,345,258</u>	<u>2,297,452</u>	<u>2,529,446</u>	<u>231,994</u>
Other Financing Sources and Uses				
Proceeds from Sale of Capital Assets				0
Transfers In	0	18,079	18,069	(10)
Advances In	5,000	0	0	0
Transfers Out	(2,339,546)	(2,489,162)	(2,487,142)	2,020
Total Other Financing Sources and Uses	<u>(2,334,546)</u>	<u>(2,471,083)</u>	<u>(2,469,073)</u>	<u>2,010</u>
Net Change in Fund Balance	10,712	(173,631)	60,373	234,004
Fund Balance at Beginning of Year	21,985	21,985	21,985	0
Prior Year Encumbrances Appropriated	14,383	14,383	14,383	0
Fund Balance at End of Year	<u>\$ 47,080</u>	<u>\$ (137,263)</u>	<u>\$ 96,741</u>	<u>\$ 234,004</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 53,140	\$ 53,140	\$ 51,057	\$ (2,083)
Charges for Services	60,000	60,000	62,138	2,138
Fines and Charges	53,000	53,000	8,233	(44,767)
Intergovernmental	95,000	95,000	2,933	(92,067)
Other	0	0	13,162	13,162
Total Revenues	261,140	261,140	137,523	(123,617)
Expenditures				
Current:				
Security of Persons and Property	1,631,799	1,721,125	1,665,544	55,581
Debt Service:				
Principal Retirements	0	5,483	5,483	0
Interest and Fiscal Charges	0	13,241	13,241	0
Total Expenditures	1,631,799	1,739,849	1,684,268	55,581
Excess of Revenues Over (Under) Expenditures	(1,370,659)	(1,478,709)	(1,546,745)	(68,036)
Other Financing Sources and Uses				
Transfers In	1,370,659	1,370,659	1,543,513	172,854
Total Other Financing Sources and Uses	1,370,659	1,370,659	1,543,513	172,854
Net Change in Fund Balance	0	(108,050)	(3,232)	104,818
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	5,943	5,943	5,943	0
Fund Balance (Deficit) at End of Year	\$ 5,943	\$ (102,107)	\$ 2,711	\$ 104,818

See accompanying notes to basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 762,990	\$ 762,990	\$ 700,700	\$ (62,290)
Charges for Services	18,961	18,961	13,665	(5,296)
Intergovernmental	31,039	31,039	22,370	(8,669)
Total Revenues	<u>812,990</u>	<u>812,990</u>	<u>736,735</u>	<u>(76,255)</u>
Expenditures				
Current:				
Security of Persons and Property	1,512,990	1,477,031	1,407,878	69,153
Debt Service:				
Principal Retirements	0	0	10,559	(10,559)
Interest and Fiscal Charges	0	0	25,499	(25,499)
Total Expenditures	<u>1,512,990</u>	<u>1,477,031</u>	<u>1,443,936</u>	<u>33,095</u>
Excess of Revenues Over (Under) Expenditures	<u>(700,000)</u>	<u>(664,041)</u>	<u>(707,201)</u>	<u>(43,160)</u>
Other Financing Sources and Uses				
Transfers In	<u>700,000</u>	<u>700,000</u>	<u>709,044</u>	<u>9,044</u>
Total Other Financing Sources and Uses	<u>700,000</u>	<u>700,000</u>	<u>709,044</u>	<u>9,044</u>
Net Change in Fund Balance	0	35,959	1,843	(34,116)
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	<u>100</u>	<u>100</u>	<u>100</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$ 100</u>	<u>\$ 36,059</u>	<u>\$ 1,943</u>	<u>\$ (34,116)</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Community Development Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 334,284	\$ 828,000	\$ 356,937	\$ (471,063)
Total Revenues	334,284	828,000	356,937	(471,063)
Expenditures				
Current:				
Community and Economic Development	334,284	934,821	505,401	429,420
Total Expenditures	334,284	934,821	505,401	429,420
Excess of Revenues Over (Under) Expenditures	0	(106,821)	(148,464)	(41,643)
Net Change in Fund Balance	0	(106,821)	(148,464)	(41,643)
Fund Balance at Beginning of Year	(85,134)	(85,134)	(85,134)	0
Prior Year Encumbrances Appropriated	104,558	104,558	104,558	0
Fund Balance (Deficit) at End of Year	<u>\$ 19,424</u>	<u>\$ (87,397)</u>	<u>\$ (129,040)</u>	<u>\$ (41,643)</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 372,575	\$ 1,236,337	\$ 206,672	\$ 6,081	\$ 1,821,665
Cash and Cash Equivalents in Segregated Accounts	1,421,154	0	0	0	1,421,154
Materials and Supplies Inventory	33,036	2,221	0	0	35,257
Accounts Receivable	1,466,501	210,721	115,085	0	1,792,307
Intergovernmental Receivable	0	0	3,199	0	3,199
Prepaid Items	22,710	16,463	6,537	0	45,710
Taxes Receivable	0	0	112,979	0	112,979
<i>Total Current Assets</i>	<u>3,315,976</u>	<u>1,465,742</u>	<u>444,472</u>	<u>6,081</u>	<u>5,232,271</u>
<i>Non-Current Assets:</i>					
Non-Depreciable Capital Assets	19,623	6,148	0	0	25,771
Depreciable Capital Assets, Net	7,976,950	599,746	139,907	0	8,716,603
<i>Total Non-Current Assets</i>	<u>7,996,573</u>	<u>605,894</u>	<u>139,907</u>	<u>0</u>	<u>8,742,374</u>
<i>Total Assets</i>	<u>11,312,549</u>	<u>2,071,636</u>	<u>584,379</u>	<u>6,081</u>	<u>13,974,645</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	68,075	33,008	770	0	101,853
Accrued Wages	29,478	17,367	11,091	609	58,545
Contracts Payable	46,938	0	0	0	46,938
Intergovernmental Payable	62,970	33,406	24,278	1,775	122,429
Accrued Interest Payable	27,763	67,891	0	0	95,654
Accrued Vacation Leave Payable	64,760	42,380	10,088	0	117,228
Loans Payable	67,637	0	33,083	0	100,720
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	260,633	75,081	0	0	335,714
<i>Total Current Liabilities</i>	<u>645,517</u>	<u>269,133</u>	<u>79,310</u>	<u>2,384</u>	<u>996,344</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - net of current portion	87,336	56,286	2,419	0	146,041
Loans Payable - net of current portion	8,035	0	52,698	0	60,733
OPWC Loans Payable - net of current portion	139,924	0	0	0	139,924
OWDA Loans Payable - net of current portion	4,969,553	599,593	0	0	5,569,146
<i>Total Long-Term Liabilities</i>	<u>5,204,848</u>	<u>655,879</u>	<u>55,117</u>	<u>0</u>	<u>5,915,844</u>
<i>Total Liabilities</i>	<u>5,850,365</u>	<u>925,012</u>	<u>134,427</u>	<u>2,384</u>	<u>6,912,188</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	2,533,538	(68,777)	54,126	0	2,518,887
Unrestricted	2,928,646	1,215,401	395,826	3,697	4,543,570
<i>Total Net Assets</i>	<u>\$ 5,462,184</u>	<u>\$ 1,146,624</u>	<u>\$ 449,952</u>	<u>\$ 3,697</u>	<u>\$ 7,062,457</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Operating Revenue					
Charges for Services	\$ 3,026,524	\$ 1,143,348	\$ 693,061	\$ 37,418	\$ 4,900,351
Other	12,962	2,181	55,087	3,601	73,831
<i>Total Operating Revenues</i>	<u>3,039,486</u>	<u>1,145,529</u>	<u>748,148</u>	<u>41,019</u>	<u>4,974,182</u>
Operating Expenses					
Personal Services	1,131,120	823,372	529,017	33,837	2,517,346
Contractual Services	530,771	189,963	88,160	2,000	810,894
Materials and Supplies	324,947	68,101	62,502	4,967	460,517
Depreciation	295,367	121,952	22,688	0	440,007
Other	0	485	0	0	485
<i>Total Operating Expenses</i>	<u>2,282,205</u>	<u>1,203,873</u>	<u>702,367</u>	<u>40,804</u>	<u>4,229,249</u>
<i>Operating Income (Loss)</i>	<u>757,281</u>	<u>(58,344)</u>	<u>45,781</u>	<u>215</u>	<u>744,933</u>
Non-Operating Revenues (Expenses)					
Interest	46,208	0	0	0	46,208
Intergovernmental	0	0	5,574	0	5,574
Property Taxes	0	0	105,057	0	105,057
Interest and Fiscal Charges	(209,158)	(89,439)	(2,299)	0	(300,896)
Special Assessments	8,006	5,501	2,644	0	16,151
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(154,944)</u>	<u>(83,938)</u>	<u>110,976</u>	<u>0</u>	<u>(127,906)</u>
<i>Change in Net Assets</i>	602,337	(142,282)	156,757	215	617,027
<i>Net Assets at Beginning of Year</i>	<u>4,859,847</u>	<u>1,288,906</u>	<u>293,195</u>	<u>3,482</u>	<u>6,445,430</u>
<i>Net Assets at End of Year</i>	<u>\$ 5,462,184</u>	<u>\$ 1,146,624</u>	<u>\$ 449,952</u>	<u>\$ 3,697</u>	<u>\$ 7,062,457</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 2,408,158	\$ 1,127,573	\$ 728,617	\$ 37,418	\$ 4,301,766
Other Operating Receipts	12,287	2,181	958	3,601	19,027
Cash Payments to Suppliers for Goods and Services	(353,585)	(66,557)	(63,421)	(4,967)	(488,530)
Cash Payments for Employees Services and Benefits	(1,106,983)	(814,531)	(528,135)	(33,054)	(2,482,703)
Cash Payments for Contractual Services	(465,364)	(162,122)	(91,390)	(2,000)	(720,876)
Other Cash Payments	0	(485)	0	0	(485)
<i>Net Cash Provided by (Used for)</i>					
<i>Operating Activities</i>	<u>494,513</u>	<u>86,059</u>	<u>46,629</u>	<u>998</u>	<u>628,199</u>
Cash Flows from Noncapital Financing Activities					
Intergovernmental Receipts	0	0	5,573	0	5,573
Tax Receipts	0	0	97,537	0	97,537
Special Assessments	8,006	5,501	2,644	0	16,151
<i>Net Cash Provided by (Used for) Noncapital</i>					
<i>Financing Activities</i>	<u>8,006</u>	<u>5,501</u>	<u>105,754</u>	<u>0</u>	<u>119,261</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Loans	456,707	0	101,695	0	558,402
Acquisition of Capital Assets	(383,395)	0	(101,695)	0	(485,090)
Principal Paid on OWDA Loans	(379,415)	(69,372)	0	0	(448,787)
Principal Paid on OPWC Loans	(17,263)	0	0	0	(17,263)
Principal Payments on Installment Loans	(64,701)	0	(15,914)	0	(80,615)
Interest Paid on All Debt	(259,588)	(52,165)	(2,299)	0	(314,052)
<i>Net Cash (Used for) Capital and Related</i>					
<i>Financing Activities</i>	<u>(647,655)</u>	<u>(121,537)</u>	<u>(18,213)</u>	<u>0</u>	<u>(787,405)</u>
Cash Flows from Investing Activities					
Receipts of Interest	46,208	0	0	0	46,208
<i>Net Cash Provided by Noncapital</i>					
<i>Financing Activities</i>	<u>46,208</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,208</u>
<i>Net Increase (Decrease) in Cash and</i>					
<i>Cash Equivalents</i>	(98,928)	(29,977)	134,170	998	6,263
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,892,657</u>	<u>1,266,314</u>	<u>72,502</u>	<u>5,083</u>	<u>3,236,556</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 1,793,729</u>	<u>\$ 1,236,337</u>	<u>\$ 206,672</u>	<u>\$ 6,081</u>	<u>\$ 3,242,819</u>

(continued)

City of East Liverpool
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 757,281	\$ (58,344)	\$ 45,781	\$ 215	\$ 744,933
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	295,367	121,952	22,688	0	440,007
(Increase) Decrease in Assets:					
Accounts Receivable	(619,041)	(15,775)	(18,573)	0	(653,389)
Prepaid Items	1,880	1,194	(764)	0	2,310
Materials and Supplies Inventory	(10,222)	1,397	0	0	(8,825)
Increase (Decrease) in Liabilities:					
Accounts Payable	45,111	26,794	(3,385)	0	68,520
Accrued Wages	(3,274)	829	(1,423)	24	(3,844)
Accrued Vacation Payable	(4,766)	465	(6,965)	0	(11,266)
Compensated Absences Payable	8,388	(6,717)	(354)	0	1,317
Intergovernmental Payable	23,789	14,264	9,624	759	48,436
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 494,513</u>	<u>\$ 86,059</u>	<u>\$ 46,629</u>	<u>\$ 998</u>	<u>\$ 628,199</u>

See accompanying notes to basic financial statements.

City of East Liverpool
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2006

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ 31,639
Accounts Receivable	<u>713,467</u>
<i>Total Assets</i>	<u><u>\$ 745,106</u></u>
Liabilities	
Undistributed Monies	<u>\$ 745,106</u>
<i>Total Liabilities</i>	<u><u>\$ 745,106</u></u>

See accompanying notes to basic financial statements.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements **DECEMBER 31, 2006**

NOTE 1: REPORTING ENTITY

The City of East Liverpool (the "City") is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is located in Columbiana County, in Eastern Ohio, on the Ohio River and is the largest city in Columbiana County. The City was established in 1934.

The City operates under a Mayor/Council form of government. Legislative power is vested in an eight member Council, each elected for two-year terms, and other elected officials that include a Mayor, Auditor, Treasurer, and Law Director. The Mayor appoints the department directors and public members of various boards and commissions.

The City utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity consists of a) the primary government, b) component units, which are legally separate organizations which are fiscally dependent on the City or for which the City is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The City is involved with the Columbiana Metropolitan Housing Authority, and OMEGA which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and Interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police Special Revenue Fund. The police special revenue fund is used to account for property taxes levied in the City for the operation of its police department.

Fire Special Revenue Fund. The fire special revenue fund is used to account for property taxes levied in the City for the operation of its fire department.

Community Development Fund. The community development fund is used to account for monies received from the federal government for the purpose of economic development loans. This fund consists of the CHIP and CDBG monies.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The sewer and water funds are the City's major enterprise funds.

Water Fund – The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Incinerator Fund – The incinerator fund accounts for the provision of trash disposal for the residents and commercial users located within the City.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for court collections that are distributed to various other City funds. The City does not have any trust funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$101,353, which includes \$98,854 assigned from other City funds.

Investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 6, Deposits and Investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Materials and Supplies Inventory

Inventories are presented at the lower of cost on first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	10-50 Years	20-50 Years
Improvements Other Than Buildings	7-25 Years	N/A
Equipment and Machinery	5-15 Years	5-10 Years
Infrastructure	10-30 Years	7-50 Years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

On fund financial statements, long-term interfund loans reported as "advances to/from other funds," are equally offset by a fund balance reserve account which indicate that they do not constitute "available expendable financial resources" even though it is a component of net current assets. Repayment is expected to be made within a reasonable time.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after ten years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, advances, loans receivable and debt service.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2006, the City has implemented GASB Statement No. 46 "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47 "*Accounting for Termination Benefits*."

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At December 31, 2006, none of the City's net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of these GASB Statements did not have an effect on the financial statements of the City.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the police, fire, and chip major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Investments are reported at fair value (GAAP) rather than cost (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund, police, fire and community development major special revenue funds.

	Net Change in Fund Balance			
	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Community Development</u>
GAAP Basis	\$ 71,153	\$ (66,305)	\$ (38,019)	\$ (82,621)
Revenue accruals	(41,381)	898	0	94,080
Expenditure accruals	42,785	76,906	41,084	0
Encumbrances	<u>(12,184)</u>	<u>(14,731)</u>	<u>(1,222)</u>	<u>(159,923)</u>
Budget Basis	<u>\$ 60,373</u>	<u>\$ (3,232)</u>	<u>\$ 1,843</u>	<u>\$ (148,464)</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 5: FUND DEFICITS

Fund balances at December 31, 2006 included the following individual fund deficits:

	<u>Deficit</u>
Major Funds:	
Police Fund	\$ 171,728
Fire Fund	181,331
Non-Major Funds:	
Fawcett Project Fund	4,768

The deficits in those funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 6: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2006, the City and public depositories complied with the provisions of these statutes.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City’s deposits was \$2,093,763. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of December 31, 2006, \$1,428,616 of the City’s bank balance of \$1,628,616 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation. The carrying amount of the City’s agency fund was \$31,639.

Investments

As of December 31, 2006, the City had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Repurchase Agreement	<u>\$ 2,444,585</u>	<u>\$ 2,444,585</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City’s investment policy limits investment portfolio maturities to five years or less for investments.

Credit Risk. The City’s repurchase agreement is an unrated investment.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. At December 31, 2006, 100 percent of the City’s investments were in repurchase agreements.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 7: TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date, and were collected in 2006. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2006 attached as a lien on December 31, 2005, were levied after October 1, 2005 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. 2006 tangible personal property taxes are levied after October 1, 2005, on the value listed as of December 31, 2005 and are collected in 2006. Tangible personal property assessments are 25 percent of true value.

The assessed value upon which the 2006 taxes were collected was \$99,049,460. Real estate represented 82 percent (\$81,124,350) of this total and tangible personal property represented 18 percent (\$17,925,110). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2006 was \$14.50 per \$1,000 of assessed valuation.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by October 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2006 and for which there is an enforceable legal claim. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and as revenue, while on a modified accrual basis the revenue is deferred.

B. Income Tax

The City levies a tax of 1.5 percent on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 7: TAXES (Continued)

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 7.5 percent of the income tax proceeds are credited to the capital projects fund and the remainder to the general fund. Total income tax collected for the year ending December 31, 2006 was \$2,739,040.

NOTE 8: RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, special assessments, and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full. Special assessments are deemed collectible in full because the County will foreclose on the property in order to collect the full amount of outstanding property taxes and special assessments.

The special revenue funds reflect loans receivable of \$205,833. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. \$205,833 of the fund balance representing revolving loans receivable is reserved because it is not appropriable for expenditures, or is legally segregated for specific use.

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CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2006 follows:

	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 520,262	\$ 0	\$ 0	\$ 520,262
Construction in Progress	58,099	57,016	(5,000)	110,115
<i>Total Capital Assets Not Being Depreciated</i>	<u>578,361</u>	<u>57,016</u>	<u>(5,000)</u>	<u>630,377</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	334,179	0	0	334,179
Improvements other than buildings	298,301	0	0	298,301
Machinery and equipment	4,926,104	85,625	0	5,011,729
Infrastructure	3,700,367	565,592	0	4,265,959
<i>Total Capital Assets Being Depreciated</i>	<u>9,258,951</u>	<u>651,217</u>	<u>0</u>	<u>9,910,168</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	214,095	7,271	0	221,366
Improvements other than buildings	160,144	13,186	0	173,330
Machinery and equipment	4,418,371	166,802	0	4,585,173
Infrastructure	157,515	125,896	0	283,411
<i>Total Accumulated Depreciation</i>	<u>4,950,125</u>	<u>313,155</u> *	<u>0</u>	<u>5,263,280</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>4,308,826</u>	<u>338,062</u>	<u>0</u>	<u>4,646,888</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 4,887,187</u>	<u>\$ 395,078</u>	<u>\$ (5,000)</u>	<u>\$ 5,277,265</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 9: CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 55,045
Leisure time services	29,090
Security of persons and property	72,511
Transportation	156,209
Public health	300
	<u>300</u>
Total	<u>\$ 313,155</u>

	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 25,771	\$ 0	\$ 0	\$ 25,771
Construction in Progress	323,243	0	(323,243)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>349,014</u>	<u>0</u>	<u>(323,243)</u>	<u>25,771</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	4,010,947	2,130	0	4,013,077
Machinery and equipment	2,774,487	478,705	0	3,253,192
Infrastructure	8,710,567	227,527	0	8,938,094
Water Lines	1,159,926	0	0	1,159,926
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets Being Depreciated</i>	<u>19,161,306</u>	<u>708,362</u>	<u>0</u>	<u>19,869,668</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	2,413,054	82,860	0	2,495,914
Machinery and equipment	2,160,949	178,196	0	2,339,145
Infrastructure	3,083,286	154,364	0	3,237,650
Water Lines	942,185	6,867	0	949,052
Sewer Lines	2,113,584	17,720	0	2,131,304
<i>Total Accumulated Depreciation</i>	<u>10,713,058</u>	<u>440,007</u>	<u>0</u>	<u>11,153,065</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>8,448,248</u>	<u>268,355</u>	<u>0</u>	<u>8,716,603</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 8,797,262</u>	<u>\$ 268,355</u>	<u>\$ (323,243)</u>	<u>\$ 8,742,374</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with various insurance companies to provide general liability insurance, property and fleet insurance, inland marine insurance, and crime insurance. These insurance policies vary in limits, deductibles and co-insurance. Claims have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The type of coverage and respective ranges are as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limit</u>
Building and contents		
Public Utilities (90% coinsurance)	\$ 1,000	\$ 11,353,529
All Other (100% coinsurance)	500	4,550,000
Inland Marine	500	819,733
Boiler and Machinery	500	2,000,000
Automobile Liability	500-1,000	1,000,000
Crime Insurance	250	30,000
Employee Dishonesty	250	50,000
Public Officials Liability	1,000	1,000,000
Employee Benefits Liability		
Per Employee	1,000	1,000,000
Aggregate	n/a	3,000,000
General Liability		
Per Occurrence	10,000	1,000,000
Aggregate	n/a	3,000,000
Law Enforcement Liability	10,000	1,000,000

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement on public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary: members in public safety contributed 8.5 percent. The employer contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City is required to contribute 13.7 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2006, 2005 and 2004 were \$437,925, \$448,870 and \$441,813, respectively. The full amount has been contributed for 2005 and 2004. 85 percent has been contributed for 2006 with the remainder being reported as a liability in the statement of net assets.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. The City's contributions to OP&F for police and firefighters were \$182,018 and \$211,100 for 2006, \$185,697 and \$244,072 for the year ended December 31, 2005, and \$436,049 combined for 2004. The full amount has been contributed for 2005 and 2004 and 46 percent has been contributed for 2006.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

As of December 31, 2006, the unfunded liability of the City was \$899,465, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is presented as "Police and Fire Pension Payable" in the governmental activities columns of the statement of net assets.

C. Medicare System:

All employees hired after April 1, 1986 are required to contribute to Medicare at a rate of 1.45 percent of their covered salary. The City of East Liverpool is required to contribute 1.45 percent also. It is paid bi-weekly with the employee's federal withholding by bank transfer within three working days of the pay date. There is a liability reported under intergovernmental payables in each fund for Medicare on the accrued wages only. All other contributions were paid for the year.

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 2006 employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to at the increase at the projected wage inflation rate plus an additional factor ranging from .5 to 6 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants was 369,214. The City's actual contributions for 2006, which were used to fund postemployment benefits were \$143,858. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contributions rates increases as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$72,261, representing 39.7 percent for police and \$68,185, representing 32.3 percent for fire. The OP&F's total health care expenses for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 was 13,922 for police and 10,537 for firefighters.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 13: OTHER EMPLOYEE BENEFITS

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union full-time employees, excluding elected officials. The amount of the life insurance policy for the union employees is \$2,000 plus an amount paid by the employees' union to equal the employees' annual salary. Non union employees' life insurance is based on their annual salary. The police and fire employees receive a \$25,000 policy.

The City contracts with Anthem Blue Cross, Blue Shield, for medical prescriptions, dental and vision insurance for all employees and elected officials. The City pays monthly premiums up to a maximum amount, per union agreements. The additional premium costs are paid by the employee. City premiums are paid from the same funds that pay the employees salaries.

NOTE 14: COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 480 hours for accumulated unused sick leave. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 480 hours. As of December 31, 2006, the liability for unpaid compensated absences was \$1,068,852.

NOTE 15: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2006 consisted of the following:

	<u>Outstanding</u> 1/1/2006	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding</u> 12/31/2006	<u>Amounts Due</u> <u>In One Year</u>
Governmental Activities:					
General long-term obligations:					
General Obligation Bonds:					
Ohio Department of Transportation					
(ODOT) loan - street paving - 0%	\$ 442,155	\$ 0	\$ (60,000)	\$ 382,155	\$ 60,000
Obligations:					
1999 Ohio Public Works Commission					
(OPWC) loan - Downtown rehabilitation 0%	52,500	\$ 0	\$ (15,000)	37,500	\$ 15,000
2002 Ohio Public Works Commission					
(OPWC) loan - State Route 39 - 0%	416,470	0	(23,798)	392,672	23,798
2004 St. Clair Paving SIB loan, 3.09%	977,198	136,766	0	1,113,964	125,172
2004 Cruisers - 5%	33,830	0	(16,700)	17,130	17,130
1999 5th Street improvements, installment					
loan - 5.32%	41,996	0	(5,132)	36,864	5,434
2001 Bucket truck installment loan - 5.51%	12,310	0	(12,310)	0	0
2005 John Deer Skid	12,000	0	(12,000)	0	0
2005 SBC System	60,523	0	(12,128)	48,395	12,572
Compensated absences payable	564,549	0	(37,827)	526,722	60,893
Police and Fire pension payable	915,507	0	(16,042)	899,465	16,732
Total Governmental Long-Term Obligations	<u>3,529,038</u>	<u>136,766</u>	<u>(210,937)</u>	<u>3,454,867</u>	<u>336,731</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

	Outstanding 1/1/2006	Additions	(Reductions)	Outstanding 12/31/2006	Amounts Due In One Year
Business-Type Activity:					
Obligations:					
1993 Ohio Public Works Commission (OPWC) loan - Pope St. and Thompson Ave. water tank - 0%	\$ 110,500	\$ 0	\$ (13,000)	\$ 97,500	\$ 13,000
2001 Ohio Public Works Commission (OPWC) loan - water line repairs - 0%	63,950	0	(4,263)	59,687	4,263
1985 Ohio Water Development Authority (OWDA) loan - water treatment plant - 9.78%	1,150,901	0	(168,312)	982,589	184,773
1994 Ohio Water Development Authority (OWDA) loan - clearwell and sludge facilities - 5.77%	730,629	0	(69,076)	661,553	73,062
1996 Ohio Water Development Authority (OWDA) loan - clearwell and sludge facilities - 5.94%	28,121	0	(2,641)	25,480	2,798
1996 Ohio Water Development Authority (OWDA) loan - sewer project - 8.23%	744,045	0	(69,372)	674,673	75,081
2004 Ohio Water Development Authority (OWDA) loan - Water Tank & Service Pumps - 3.35%	3,243,244	456,707	(139,386)	3,560,565	0
2005 Water Truck	34,990	0	(15,236)	19,754	15,769
2001 Henry Avenue installment loan, 5.61%	78,160	0	(38,075)	40,085	40,085
2003 Backhoe installment loan, 3.25%	27,223	0	(11,390)	15,833	11,783
2006 Garbage Truck Installment Loan, 4.73%	0	101,695	(15,914)	85,781	33,083
Compensated absences	144,724	1,317	0	146,041	0
Total business-type activity obligations	<u>6,356,487</u>	<u>559,719</u>	<u>(546,665)</u>	<u>6,369,541</u>	<u>453,697</u>
Total - All Fund Types	<u>\$ 9,885,525</u>	<u>\$ 696,485</u>	<u>\$ (757,602)</u>	<u>\$ 9,824,408</u>	<u>\$ 790,428</u>

The OWDA, OPWC, and other enterprise fund loans will be repaid with water, sewer, and sanitation fund revenues. General installment loans and leases will be paid from tax revenue and other revenues in the governmental funds. The police and fire pension liability will be paid from general property tax revenues. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

In 2004 the City entered into a loan agreement for the water improvement project. The total amount authorized for this loan was \$3,892,758, and as of December 31, 2006, the City had drawn down \$3,689,095. The City began to repay the loan in 2006. In addition to the draw down, the City has incurred capitalized interest of \$10,844 as of December 31, 2006. Since the total amount of the loan has not been determined, it is not included in the following amortization schedule.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

The new SIB loan was issued for street repair of the St. Clair Avenue project for engineering fees. The total amount authorized and drawn down on this loan is \$1,081,283. The loan will be repaid over a period of ten years with no interest the first 12 months and 3 percent thereafter.

The City received loan proceeds in 2001 for the Henry Avenue project to replace water lines. The loan will be repaid with water fund revenues.

In 2003 the City entered into a loan agreement for the purchase of a backhoe to be used by the Water Department. The loan will be repaid with water fund revenues.

The City entered into a loan for the Fawcett Project and 5th Street Improvements. The money was used for downtown improvements.

The City received loan proceeds in 2001 for the purchase of a bucket truck to be used by the City Street Department.

The City received loan proceeds in 2004 for the purchase of two cruisers to be used by the Police Department.

In 2005 the City received loan proceeds for the purchase of a water truck to be used by the City Water Department.

In 2006 the City received loan proceeds for the purchase of a garbage truck which will be used by the City Sanitation Department.

The police and fire liability will be paid from taxes reported in the police and fire special revenue fund.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

The annual requirements to retire governmental activities debt are as follows:

Years	Installment Loans		OPWC	ODOT		Police & Fire Pension		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 35,136	\$ 3,642	\$ 38,798	\$ 185,172	\$ 32,487	\$ 16,732	\$ 38,052	\$ 275,838	\$ 41,694
2008	18,764	2,606	38,798	188,955	28,704	17,449	37,333	263,966	39,939
2009	19,882	1,816	31,298	192,854	25,806	18,201	36,584	262,235	38,400
2010	15,652	1,013	23,798	196,869	20,791	18,982	35,801	255,301	36,814
2011	6,720	540	23,798	201,006	16,654	19,798	34,986	251,322	35,526
2012-2016	6,235	174	118,992	227,423	12,392	112,492	161,422	465,142	161,596
2017-2021	0	0	118,992	149,658	8,001	138,817	135,096	407,467	135,096
2022-2026	0	0	35,698	154,182	3,478	171,303	102,610	361,183	102,610
2027-2031	0	0	0	0	0	211,390	62,523	211,390	62,523
2032-2036	0	0	0	0	0	174,301	14,972	174,301	14,972
Totals	<u>\$ 102,389</u>	<u>\$ 9,791</u>	<u>\$ 430,172</u>	<u>\$ 1,496,119</u>	<u>\$ 148,313</u>	<u>\$ 899,465</u>	<u>\$ 659,379</u>	<u>\$ 2,928,145</u>	<u>\$ 669,170</u>

The annual requirements to retire business-type activities debt are as follows:

Years	Installment Loans		OPWC Loans	OWDA Loans		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2007	\$ 100,720	\$ 8,793	\$ 17,263	\$ 335,714	\$ 191,308	\$ 453,697	\$ 200,101
2008	42,717	1,794	17,263	364,344	162,676	424,324	164,470
2009	18,016	249	17,263	395,506	131,514	430,785	131,763
2010	0	0	17,263	429,426	97,595	446,689	97,595
2011	0	0	17,263	325,815	60,770	343,078	60,770
2012-2016	0	0	53,813	493,490	56,586	547,303	56,586
2017-2020	0	0	17,059	0	0	17,059	0
Totals	<u>\$ 161,453</u>	<u>\$ 10,836</u>	<u>\$ 157,187</u>	<u>\$ 2,344,295</u>	<u>\$ 700,449</u>	<u>\$ 2,662,935</u>	<u>\$ 711,285</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2006

NOTE 16: CONTRACTUAL COMMITMENTS

As of December 31, 2006, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2006
SBC Global Services, Inc. - Voice & Data Network	\$ 89,470	\$ 53,099	\$ 36,371
DLZ Engineers - WTP Improvements Design	128,880	112,763	16,117
Dallis Dawson & Associates - Anderson Boulevard	58,180	46,544	11,636
Construction Management Services - Dresden Ave.	37,896	20,441	17,455
Natgun Corporation - Thompson Ave. Water Tank	2,779,452	2,771,883	7,569
Wood Electric, Inc. WTP	328,010	288,641	39,369
Totals	<u>\$ 3,421,888</u>	<u>\$ 3,293,371</u>	<u>\$ 128,517</u>

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

Columbiana Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2006. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of East Liverpool is responsible.

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of East Liverpool serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States Census. During 2006, OMEGA received \$1,963 from the City of East Liverpool for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 18: CLOSURE AND POSTCLOSURE CARE COST

In 1993, the City agreed to sell the East Liverpool City Landfill to the East Liverpool Landfill, Inc. The landfill and all contractual obligations were subsequently acquired by USA Waste Services, Inc (USA). USA is in the process of closing the landfill. Under the original sales agreement, the City indemnified the purchaser for all cost incurred with regard to the activities or operations of the landfill prior to 1990.

USA has assured the City that they are closing the landfill at their sole cost and expense. USA has posted all required closure and post-closure bonds with the Environmental Protection Agency (EPA). The City's post-closure liability relating to the pre-1990 operations, if any, can not be determined.

NOTE 19: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with term and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2006.

B. Litigation

The City of East Liverpool is currently party to several claims and lawsuits. In the opinion of the City Law Director, the outcome of these claims will not have a material effect on the financial statements of the City of East Liverpool.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2006

NOTE 20: TRANSFERS

The City made the following transfers during 2006:

Transfers to	Transfer From						Total
	General	State Highway Department	Capital Improvement Fund	Fawcett Project Fund	Escrow Fund	Street Capital Improvement	
Major Funds:							
General	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,069	\$ 0	\$ 18,069
Police Fund	1,543,514	0	0	0	0	0	1,543,514
Fire Fund	709,044	0	0	0	0	0	709,044
Nonmajor Funds:							
Victim Witness Asst. Program	4,785	0	0	0	0	0	4,785
State Highway Fund	0	7,000	0	0	0	0	7,000
Street Department Fund	25,568	0	0	0	0	0	25,568
Debt Service Fund	0	0	134,189	7,260	0	12,201	153,650
Capital Improvement Fund	204,231	0	0	0	0	0	204,231
Dresden Anderson Ave.	0	0	338,063	0	0	0	338,063
	<u>\$ 2,487,142</u>	<u>\$ 7,000</u>	<u>\$ 472,252</u>	<u>\$ 7,260</u>	<u>\$ 18,069</u>	<u>\$ 12,201</u>	<u>\$ 3,003,924</u>

The General Fund transfers money to the Police and Fire Funds for operating costs and to the Street Department Fund for operating costs associated with street maintenance. The General Fund transferred money to the Capital Improvements Fund for capital projects and equipment purchases. The Capital Improvements Fund, Street Capital Improvement and the Fawcett Project Fund transferred money to the Debt Service Fund for debt payments. The Escrow Fund transferred \$18,069 to the General Fund. This was a residual equity transfer to close out the Escrow Fund.

Interfund balances at December 31, 2006 consist of the following fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Advances Due From Other Funds</u>	<u>Advances Due to Other Funds</u>
Major Fund:		
General Fund	\$ 23,995	\$ 0
Nonmajor Fund:		
Fawcett Project Fund	<u>0</u>	<u>23,995</u>
Totals	<u>\$ 23,995</u>	<u>\$ 23,995</u>

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**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block	A-C-04-1151-1	14.228	\$38,005
	A-C-06-1151-1		6,000
	A-E-05-1151-1		116,900
	A-F-04-1151-1		16,770
	A-F-05-1151-1		60,062
Total Community Development Block			<u>177,675</u>
Home Investment Partnership Program	A-C-04-1152-2	14.239	216,035
	A-C-06-1152-2		249
Total Home Investment Partnership Program			<u>216,284</u>
Total U.S. Department of Housing and Urban Development			<u>393,959</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Development</i>			
Public Assistance Grant - Federal Emergency Management Agency		97.036	50,993
Total U.S. Department of Homeland Security			<u>50,993</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction		20.205	596,020
Total U.S. Department of Transportation			<u>596,020</u>
Total			<u><u>\$1,040,972</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of East Liverpool
Columbiana County
126 West Sixth Street
East Liverpool, Ohio 43920

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe finding number 2006-002 is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated January 14, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated January 14, 2009.

We intend this report solely for the information and use of the audit committee, management, city council, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 14, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of East Liverpool
Columbiana County
126 West Sixth Street
East Liverpool, Ohio 43920

To the City Council:

Compliance

We have audited the compliance of the City of East Liverpool (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006. In a separate letter to the City's management dated January 14, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the city council, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 14, 2009

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction (CFDA #20.205)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Noncompliance Finding

Ohio Revised Code Section 5705.41(B) states that no subdivision shall make an expenditure of money unless it has been appropriated. Additionally, **Ohio Revised Code Section 733.13**, prohibits the City Auditor from issuing a voucher for payment unless sufficient funds are in the treasury of the municipal corporation to the credit of the fund upon which such voucher is drawn. Negative fund balances indicate that sufficient funds were not in the treasury to the credit of the fund that vouchers were drawn against.

The City had several funds where expenditures exceeded appropriations. This lead to negative cash fund balances in the following funds:

**FINDING NUMBER 2006-001
(Continued)**

Year-End:

Fund 209 CHIP 2006 CDBG	(\$ 38,000)
Fund 210 CHIP 2006 Home	(\$ 91,520)
Fund 211 CHIP 2006 Ohio Housing	(\$ 5,980)

April:

Fund 218 CHIO 2004 Ohio Trust	(\$ 12,020)
Fund 230 Victim Witness Ast	(\$ 328)
Fund 462 Broadway Wharf	(\$ 3,750)
Fund 463 St. Clair Paving	(\$ 97,120)
Fund 464 Dresden Anderson Paving	(\$106,250)

September:

Fund 213 Formula CDBG 2005	(\$ 12,863)
Fund 217 CHIP 2004 Home	(\$ 7,573)
Fund 218 CHIO 2004 Ohio Trust	(\$ 12,020)
Fund 221 Police Fund	(\$436,710)
Fund 227 Fire Fund	(\$111,207)
Fund 462 Broadway Wharf	(\$ 3,750)
Fund 463 St. Clair Paving	(\$ 97,120)
Fund 464 Dresden Anderson Paving	(\$ 50,087)

We recommend that the City implement policies and procedures to ensure compliance with Chapter 5705 of the Ohio Revised Code.

FINDING NUMBER 2006-002

Noncompliance Finding/Material Weakness

Ohio Revised Code Section 733.43, states the treasurer of a municipal corporation shall keep an accurate account of (A)- all moneys received by him, showing the amount thereof, the time received, from whom, and on what account received, and (B)- all disbursements made by him, showing the amount thereof, the time made, to whom, and on what account paid.

He shall so arrange his books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts.

During fiscal year 2006 the Treasurer failed to keep an accurate account of either moneys received by him, or disbursements made by him. As a result the depository balance was \$53,002 in excess of the recorded cash fund balances as of December 31, 2006.

The following adjustments were necessary to increase the cash fund balances as of December 31, 2006 to properly reconcile with the depositories:

General Fund other receipts were increased by \$52,328 and the cash fund balance went from \$107,706 to \$160,034.

Water Department Fund other operating revenues were increased \$674 and the cash fund balance went from \$371,901 to 372,575.

**FINDING NUMBER 2006-002
(Continued)**

The financial statements and the City's accounting records have been adjusted to reflect these adjustments.

We recommend the City establish control procedures to assure the Treasurer keep accurate accounts of all receipts and disbursements of the City. In addition, we recommend monthly bank reconciliations be prepared and any differences investigated at the time to determine if adjustments are necessary to the accounting records.

3. FINDINGS FOR FEDERAL AWARDS

None

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**CITYOF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Revised Code § 5705.41(d), failure to encumber funds	No	Partially corrected. See Management Letter.
2005-002	Revised Code § 5705.14 transfers without approval	No	Partially Corrected. See Management Letter.
2005-003	Revised Code § 5705.36(A)(2)	No	Partially Corrected, See Management Letter.



Mary Taylor, CPA
Auditor of State

CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 26, 2009